



**Commonwealth of Kentucky
Public Protection Cabinet**

Department of Financial Institutions

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FOR IMMEDIATE RELEASE

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The following press release was issued by the Office of the United States Attorney Western District of Kentucky. The Kentucky Department of Financial Institutions (DFI) assisted in the investigation. The Office of the U.S. Attorney is prosecuting the case.

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**Owner of U.S. Energy Partners Inc. of Bowling Green, Ky., Convicted of Wire Fraud,
Securities Fraud and Money Laundering**

Fraudulent Investment Scam Resulted in Loss Exceeding \$1 Million for 11 Partners

BOWLING GREEN, Ky. – The owner of U.S. Energy Partners Inc. of Bowling Green, Ky., was convicted of wire fraud, securities fraud, and money laundering today in United States District Court, for creating a scheme that defrauded investors of \$1,175,000 announced United States Attorney Russell M. Coleman.

“At the end of the day, white collar fraudsters are still just thieves preying on the trusting,” stated United States Attorney Russell M. Coleman. “Now that the jury has returned this verdict against Shelton, the US Attorney’s Office will aggressively pursue restitution to seek to make the victims whole again.”

The jury deliberated less than two hours before convicting Clay Shelton, 48, of Bowling Green, on all submitted counts, for devising a scheme that fraudulently obtained money from eleven investors. Shelton was taken into custody and is scheduled for sentencing before District Judge Greg N. Stivers on April 9, 2018, at 9:30 a.m.

According to testimony presented during the four-day trial, between March 2011 and September 2012, Shelton created Monterey Pipeline Partners, LLC, purportedly to purchase the Monterey Pipeline in Tennessee. Shelton also operated Escrow 2011 LP, an investment partnership he created to fund an escrow account to purchase and operate the Monterey (gas) Pipeline. Further, Shelton operated Brakaw Energy Management LLC, which was created by Shelton to manage and operate the Monterey Pipeline once he completed the purchase.

From March 2011 through September 2012, Shelton solicited in excess of \$1,000,000 from eleven investors for the purchase of the Monterey Pipeline. He fraudulently represented to the investors that their funds would be held in escrow as a down payment until he was able to

complete financing to purchase the Monterey Pipeline (about 60 days). Once the loan closed, investors would receive either a 25 percent return on their investment or Monterey Pipeline would buy their interest in any Tennessee well program they previously purchased through U.S. Energy Partners. Investors were, therefore, assured they would receive their investment back in at least 60 days and that their investment would be held in escrow.

Shelton misappropriated \$1,000,000 of investor funds, which were wired into Escrow 2011, by investing the majority in collateralized mortgage obligations. Additional funds from investors were used to pay operating and business expenses, including his own salary.

Shelton could be sentenced to no more than 20 years, fined, ordered to pay restitution, and serve a period of supervised release.

This case was prosecuted by Assistant United States Attorneys Bryan Calhoun and Nute Bonner, with paralegal assistance from Jane Bauer and Mary Kennedy. This case was investigated by the IRS Criminal Investigation Division and the Kentucky Department of Financial Institutions.

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By Office of U.S. Attorney Russell M. Coleman of the Western District of Kentucky

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